

Message Text

CONFIDENTIAL

PAGE 01 CARACA 02714 212140Z
ACTION ARA-14

INFO OCT-01 AF-10 EUR-12 EA-10 NEA-10 ISO-00 SOE-02
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 PA-01 /168 W
-----075677 220432Z /63

R 211911Z MAR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 1650
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMCONSUL DHAHRAN
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDAH
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY OTTAWA
AMEMBASSY VIENNA

CONFIDENTIAL CARACAS 2714

E.O. 11652: GDS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 02714 212140Z

TAGS: ENRG, VE
SUBJECT: OIL PRODUCTION AND EXPORTS CONTINUE RECOVERY

REF: (A) CARACAS 2058 (B) CARACAS 2456 (NOTAL)

1. OIL PRODUCTION HAS INCREASED STEADILY FROM THE LOW LEVEL OF
EARLY FEBRUARY. PRODUCTION FOR THE WEEK ENDING MARCH 15

AVERAGED 2.11 MILLION BARRELS PER DAY COMPARED WITH THE LOW OF 1.44 MILLION B/D REGISTERED DURING THE FIRST WEEK OF FEBRUARY. THE YEAR TO DATE AVERAGE IS NOW 1.75 MILLION BARRELS, 25 PERCENT BELOW THE LEVEL A YEAR AGO AND 22 PERCENT BELOW THE 2.24 AVERAGE FOR ALL OF 1977.

2. PRODUCTION LEVELS ARE NOW BEGINNING TO REFLECT THE CURRENT STRENGTH IN EXPORTS. PRESIDENT PEREZ STATED EARLIER IN THE WEEK THAT EXPORTS DURING MARCH WOULD EQUAL OR POSSIBLY SLIGHTLY EXCEED THOSE OF MARCH 1977, I.E. ABOUT 2.0 MILLION B/D. REPRESENTATIVES OF THE MAJOR BUYERS OF VENEZUELAN CRUDE AND PRODUCTS AGREE THAT EXPORTS LOOK VERY GOOD AT LEAST FOR MARCH, INDICATING THAT COMPETITIVE VENEZUELAN PRICING TOGETHER WITH CONTINUED COLD WEATHER AND THE COAL STRIKE IN THE US HAVE DRAINED LOCAL STOCKS.

3. PROSPECTS FOR THE REMAINDER OF THE YEAR ARE STILL UNCERTAIN BUT CLEARLY LOOK BETTER THAN THEY HAVE FOR A NUMBER OF MONTHS. IN HIS ANNUAL "STATE OF THE NATION" SPEECH MARCH 10 (REF B), PRESIDENT PEREZ ACKNOWLEDGED THAT AS A RESULT OF THE PROBLEMS EARLY IN THE YEAR, 1978 PRODUCTION WOULD NOT REACH THE PLANNED LEVEL OF 2.2 MILLION BARRELS PER DAY. HE INDICATED THE SHORTFALL WOULD BE ON THE ORDER OF 50,000 TO 100,000 BARRELS PER DAY, WHICH, HE SAID, WOULD NOT SERIOUSLY AFFECT THE INVESTMENT PLANS OF THE GOVERNMENT OR OF THE PRIVATE SECTOR. OTHERS MAINTAIN THIS IS OVERLY OPTIMISTIC, AND THAT PRODUCTION FOR THE YEAR

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 02714 212140Z

WILL NOT REACH A 2.0 MILLION AVERAGE RATE. IN OUR VIEW, FINAL PRODUCTION AND EXPORT LEVELS FOR THE YEAR WILL BE DETERMINED LARGELY BY THE PRICING POLICIES OF PETROLEOS DE VENEZUELA, AND PETROLEOS SEEMS TO BE SHOWING AN INCREASING DISPOSITION TO REMAIN COMPETITIVE. IN THIS RESPECT, VENEZUELA HAS SOMEWHAT GREATER FLEXIBILITY THAN OTHER OPEC MEMBERS IN THAT ONE-THIRD OF OIL EXPORTS ARE IN THE FORM OF PRODUCTS AND THUS NOT SUBJECT TO OPEC PRICING DECISIONS.

4. IT IS THUS INTERESTING THAT THE POLITICAL OPPOSITION NOW SEEMS TO BE SHIFTING ITS CRITICISM OF GOV OIL POLICIES FROM THE QUESTION OF EXPORT VOLUMES TO THAT OF PRICE. A SPOKESMAN FOR COPEI, THE MAJOR OPPOSITION PARTY, RECENTLY CHARGED THAT PETROLEOS WAS SELLING FUEL OIL WITH A DISCOUNT OF 80 CENTS PER BARREL. REPLYING INDIRECTLY TO SUCH CHARGES, PETROLEOS' PRESIDENT ALFONSO RAVARD NOTED THAT IN THE MARKETING OF A COMMODITY, ONE CAN SEEK TO SELL A CERTAIN VOLUME OR ONE CAN SEEK A MAXIMUM PRICE, BUT IT IS NOT POSSIBLE TO MAXIMIZE BOTH VOLUME AND PRICE AT THE SAME TIME. WE EXPECT PETROLEOS DE VENEZUELA WILL SEEK TO MEET A VOLUME GOAL OF 2.1 MILLION B/D FOR THE YEAR, WHICH WOULD REQUIRE A DAILY AVERAGE PRODUCTION OF 2.2 MILLION BARRELS FOR THE REMAINDER OF THE YEAR.

VAKY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, EXPORTS, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 21 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CARACA02714
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780125-0793
Format: TEL
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780344/aaaabkyf.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b2db60c3-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 CARACAS 2058, 78 CARACAS 2456
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3260361
Secure: OPEN
Status: NATIVE
Subject: OIL PRODUCTION AND EXPORTS CONTINUE RECOVERY
TAGS: ENRG, VE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b2db60c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014